

Global Markets Research

Fixed Income : Auction Calendar

Chang Wai Ming

Fixed Income Strategist

Hong Leong Bank Berhad, Global Markets

Fixed Income & Economic Research

WMChang@hlbb.hongleong.com.my

(603) 2773 0532

Reopening of 7-year GII 8/24 secures healthy BTC cover 2.48x, reinforcing continued onshore support

As expected, today's reopening tender for 7-year GII 8/24 secured healthy demand from investors with BTC cover of 2.48x, suggesting continued onshore real money support. When Issue seen quoted at 3.91%-3.93% level this morning. Tender size for this mentioned print was within our expected range, RM3b with separate private placement worth RM1b. (our projected size: RM3.5b-RM4b). Summary of today's tender results are as follows:-

Bid to Cover: 2.48x

High : 3.933%

Average : 3.926%

Low : 3.909%

Cut off : 82%

Compelling yields of circa > 20 bps above benchmark 5-year GII 4/22 and higher relative yields above benchmark 10-year MGS 11/27 seen anchoring investors' demand

From a relative valuation (RV) perspective, sustained demand for today's tender appears to be anchored by still attractive spreads of above 20 bps versus benchmark 5-year GII 4/22, coupled with higher yield pickup versus benchmark 10-year MGS 11/27. Positive vibes have been gradually returning back to the MYR bond space supported by measures introduced by the Financial Market Committee. (Recent rebound in MYR performance reinforces our view). From a RV perspective, investors may consider rotating from 10-year benchmark MGS 11/27 into the 7-year GII 8/24 as there is still a significant kink on the 7-year space. At tender high level of 3.93%, the higher yield spreads above 5-year MGS/GII and levels near parity with 10-year MGS/GII is expected to emerge defensive for investors, allowing some level of buffer as we progress into June, with all eyes on the upcoming June FOMC when policymakers meet.

MGS/GII issuance pipeline in 2017

No	Stock	Tenure-yrs	Tender Month	by quarter	Tender Date	Expected size (RM mil)	Issuance (RM mil)	Private Placement	Amt Issued YTD	BTC (times)	Low	Average	High	Cut-off	
1	3-yr Reopening of MGII 04/20 3.226%	3	Jan	Q1	5/1/2017	3,000	3,500		3,500	1.789	3.657	3.690	3.700	75%	
2	15-yr Reopening of MGS 06/31 4.232%	15	Jan	Q1	12/1/2017	3,500	4,000		7,500	2.503	4.773	4.786	4.796	25%	
3	10.5-yr New Issue of MGII (Mat on 07/27)	10	Jan	Q1	25/1/2017	4,000	4,000		11,500	3.413	4.245	4.258	4.265	11%	
4	7.5-yr New Issue of MGII (Mat on 08/24)	7	Feb	Q1	14/2/2017	4,000	4,000		15,500	3.123	4.030	4.045	4.050	100%	
5	30-yr Reopening of MGS 03/46 4.736%	30	Feb	Q1	27/2/2017	2,500	2,000	1,000	18,500	2.562	4.660	4.676	4.686	5%	
6	5-yr New Issue of MGS (Mat on 03/22)	5	Mar	Q1	9/3/2017	4,000	4,000		22,500	1.538	3.859	3.882	3.903	3%	
7	15-yr Reopening of MGII 08/33 4.582%	15	Mar	Q1	23/3/2017	3,000	3,000	1,000	26,500	1.897	4.660	4.696	4.730	27%	
8	7.5-yr New Issue of MGS (Mat on 09/24)	7	Mar	Q1	30/3/2017	4,000	3,000	1,000	30,500	2.064	4.030	4.059	4.072	64%	
9	20-yr New Issue of MGS (Mat on 04/37)	20	Apr	Q2	6/4/2017	3,000	2,000	1,000	33,500	1.585	4.725	4.762	4.799	90%	
10	5-yr New Issue of MGII (Mat on 04/22)	5	Apr	Q2	13/4/2017	4,000	4,000		37,500	2.773	3.925	3.948	3.957	29%	
11	15-yr Reopening of MGS 04/33 3.844%	15	Apr	Q2	27/4/2017	3,000	2,500	500	40,500	2.057	4.469	4.503	4.515	64%	
12	30-yr New Issue of MGII (Mat on 05/47)	30	May	Q2	5/5/2017	3,000	2,000	500	43,000	2.393	4.85	4.895	4.913	19%	
13	10.5-yr New Issue of MGS (Mat on 11/27)	10	May	Q2	15/5/2017	4,000	3,000	1,000	47,000	3.340	3.880	3.899	3.910	95%	
14	7-yr Reopening of MGII (Mat on 08/24)	7	May	Q2	30/5/2017	3,500	3,000	1,000	51,000	3.909	3.926	3.933	2.481	82%	
15	20-yr Reopening of MGS (Mat on 04/37)	20	Jun	Q2		2,500									
16	10-yr Reopening of MGII (Mat on 07/27)	10	Jun	Q2		3,500									
17	7-yr Reopening of MGS (Mat on 09/24)	7	Jul	Q3		3,500									
18	30-yr Reopening of MGII (Mat on 05/47)	30	Jul	Q3		2,500									
19	10-yr Reopening of MGS (Mat on 11/27)	10	Jul	Q3		3,500									
20	20-yr New Issue of MGII (Mat on 08/37)	20	Aug	Q3		3,000									
21	3.5-yr New Issue of MGS (Mat on 02/21)	3	Aug	Q3		4,000									
22	7-yr Reopening of MGII (Mat on 08/24)	7	Aug	Q3		3,500									
23	5-yr Reopening of MGS (Mat on 03/22)	5	Sep	Q3		3,500									
24	15-yr Reopening of MGII 08/33 4.582%	15	Sep	Q3		3,000									
25	7-yr Reopening of MGS (Mat on 09/24)	7	Oct	Q4		3,500									
26	20-yr Reopening of MGII (Mat on 08/37)	20	Oct	Q4		2,500									
27	30-yr Reopening of MGS 03/46 4.736%	30	Oct	Q4		2,000									
28	10-yr Reopening of MGII (Mat on 07/27)	10	Nov	Q4		3,500									
29	15-yr Reopening of MGS 04/33 3.844%	15	Nov	Q4		3,000									
30	5-yr Reopening of MGII (Mat on 04/22)	5	Nov	Q4		3,500									
31	10-yr Reopening of MGS (Mat on 11/27)	10	Dec	Q4		3,000									
32	15.5-yr New Issue of MGII (Mat on 06/33)	15	Dec	Q4		3,000									
						Estimated gross MGS/GII supply in 2017	105,000								

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 6, Wisma Hong Leong

18, Jalan Perak

50450 Kuala Lumpur

Tel: 603-2773 0469

Fax: 603-2164 9305

Email: HLMarkets@hlbb.hongleong.com.my**DISCLAIMER**

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